

Mass CAIR

The Massachusetts Clean Air Interstate Rule



February 2007

MassDEP

Background

- EPA determined that Massachusetts only contributed to downwind non-attainment of ozone, therefore only ozone season NO_x emission requirements apply to Massachusetts
- EPA will cease administering the Existing NO_x Allowance Trading Program, 310 CMR 7.28 when CAIR commences in 2009
- SIP deadline - March 31, 2007
If a state fails to meet that deadline, EPA will implement the FIP. This includes the allocation of allowances according to EPA's heat-input based methodology.
- Mass CAIR proposed January 8, 2007



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Massachusetts NOx Budget

- MA CAIR Ozone Season NOx caps (tons)
 - 2009 – 2014: 7,551
 - 2015 and beyond: 6,293

MA NOx SIP Call Budget: 12,861
- For 2009, 5,310 fewer NOx allowances for MA sources
- EPA used 1999-2002 heat input multiplied by fuel-adjustment factors of: 1.0 for coal, 0.6 for oil and 0.4 for gas to set State caps



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CAIR Flexibility Provisions

- **Applicability:** What sources are covered
- **Allocation:** How to allocate allowances
- **Opt-ins:** Whether to allow sources that do not meet CAIR EGU definition to opt-in to the CAIR trading program



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Applicability

- NO_x Allowance Trading Program - large EGUs $\geq 15\text{MW}$ and large industrial boilers $\geq 250\text{MMBtu}$
- Federal CAIR - large EGUs $> 25\text{MW}$
- Mass CAIR would bring all NO_x Allowance Trading Program sources into Mass CAIR.
- If all NO_x Allowance Trading Program units are not brought into Mass CAIR, the State must find another way to maintain the emission reductions they achieved under the NO_x Allowance Trading Program (e.g., RACT)



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Applicability & Budget Expansion

- This expands the number of regulated sources from 66 units (29 facilities) subject to federal CAIR to 88 units (37 facilities)
- To account for the incorporation of NO_x Allowance Trading Program sources into Mass CAIR, MassDEP has proposed a method that would increase the budget by 362 allowances for both phase I and II of CAIR
- The proposed budget expansion equals the second lowest total ozone season allocation of allowances made under the NO_x Allowance Trading Program during the 2003 to 2008 period to these units
 - This approach balances environmental protection with the needs of industry



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Allocation

- Mass CAIR allocates allowances to units using methods consistent with the NO_x Allowance Trading Program (updating output-based methodology with no adjustment for fuel type)
- Output-based allocation rewards clean and efficient units
- EPA's Model Rule allocates allowances to units based on a permanent heat-input baseline that is adjusted to account for fuel type (1.0 for coal, 0.6 for oil, and 0.4 for gas). This rewards dirty and inefficient units.
- MassDEP will amend these rules if the Commonwealth decides that MassDEP should auction all or a fraction of allowances and provides MassDEP with legislative authority to conduct auctions



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Public Benefit Set-Aside (PBSA)

- PBSA was established under the NO_x Allowance Trading Program to encourage Energy Efficiency Projects (EEPs) and Renewable Energy Projects (REPs)
- Annually allocate allowances based on the energy saved by EEPs and the energy generated by REPs
- Under NO_x Allowance Trading Program, the PBSA is set at 5% of the state budget (643 tons)
- The PBSA was fully subscribed in 2005 and 2006
- MassDEP proposes to maintain PBSA at 5% of state budget (396 tons in Phase I of Mass CAIR, 333 tons in Phase II)



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New Unit Set-Aside

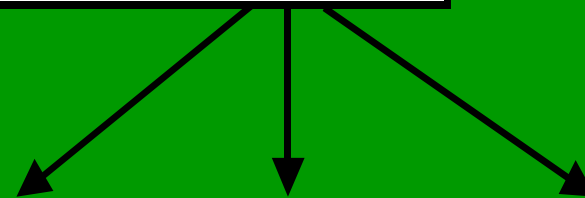
- A New Unit Set-Aside was established under the NO_x Allowance Trading Program Allowances to enable the distribution of allowances to new units in their initial years of operation
- Necessary because “existing” units are allocated allowances several years before they can be used
- Under NO_x Allowance Trading Program, the New Unit Set-Aside is set at 5% of the state budget (643 tons)
- The New Unit Set-aside was fully subscribed in 2003 and 2005 and was almost fully subscribed in 2004
- MassDEP proposes to keep at 5% of state budget (396 tons in Phase I of Mass CAIR, 333 tons in Phase II)



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Massachusetts NOx Budget

	Federal CAIR Budget		Budget Increase		Mass CAIR Budget (total)
2009-2014	7551		362		7913
2015 & beyond	6293	+	362	=	6655



	Public Benefit Set-aside	New Unit Set- aside	Allowances for Existing Units
2009-2014	396	396	7121
2015 & beyond	333	333	5989



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Opt-ins

- Mass CAIR does not allow non-regulated sources to voluntarily opt into the program
- No sources opted into the NO_x Allowance Trading Program
- Extremely challenging to develop a method for allocating allowances to these sources on the basis of output while conforming to EPA's requirements



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Comment Period & Hearings

Thursday, February 8, 2007, at 9:00 a.m.

Massachusetts Department of Environmental Protection
One Winter Street, 2nd Floor - Rooms B & C
Boston, Massachusetts 02108

Thursday, February 8, 2007, at 5:00 p.m.

1st Floor Conference Room
MassDEP Southeast Region Main Office
20 Riverside Drive
Lakeville, MA 02347

Friday, February 9, 2007 at 3 pm

3rd Floor Court Room
Springfield State Office Building
436 Dwight Street
Springfield, MA 01103

Written testimony will be accepted until 5:00 p.m. on
Tuesday, February 20, 2007.



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Questions and public comments should be directed to:

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